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FISCAL IMPACT STATEMENT

LS 6204

BILL NUMBER: HB 1181

NOTE PREPARED: Dec 31, 2006

BILL AMENDED:

SUBJECT: Property Taxation of Annexed Agricultural Land.

FIRST AUTHOR: Rep. Reske

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that certain property annexed by a municipality with the consent of the property owner is exempt from property tax liability for municipal purposes if the property is assessed as agricultural property under the rules of the Department of Local Government Finance.

Effective Date: January 1, 2007 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, if land that is zoned as agricultural is annexed by a municipality under a consent annexation, then that agriculturally zoned land is exempt from municipal property tax. The exemption remains in effect until the property's classification is changed. If the annexation ordinance was adopted after June 30, 2006, then the exemption is limited to 10 years.

Under this proposal, beginning with property tax payable in 2008, the exemption would also apply if the land is assessed as agricultural land even if it is not zoned as such. The exemption would remain in effect until the land is no longer assessed as agricultural land. If the annexation ordinance was adopted after June 30, 2006, then the exemption is still limited to 10 years.

Beginning with property tax payable in 2008, this exemption would also apply to agriculturally assessed

property that was annexed under a consent annexation if the ordinance was adopted before this bill becomes effective.

Agricultural land has a relatively low value for property tax purposes. Exemptions of this type of property from property taxes would probably not represent very much valuation compared to the municipality's existing tax base.

For future annexations, this provision would not reduce the property tax base for those taxing units that currently serve the property. The provision would, however, keep the value of this property from being added to the municipality's tax base. The exemption would prevent the shifting of municipal property taxes onto agricultural land.

For existing annexations, this provision would reduce the property tax base for those taxing units that currently serve the property by the amount that was added for the agriculturally assessed land. The provision would shift a very minimal amount of municipal property taxes from the agriculturally assessed land to all other municipal taxpayers. The amount shifted to other taxpayers would essentially be the same amount that was originally shifted from the other taxpayers to the agriculturally assessed land.

In either case, total local revenues would not be affected.

Municipalities could annex agricultural property in anticipation of a future project. A building project could ultimately shift taxes from other taxpayers to the former agricultural land and its improvements.

State Agencies Affected:

Local Agencies Affected: Municipalities.

Information Sources:

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